

Message Text

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ACTION COME-00

INFO OCT-01 EA-12 ISO-00 STR-07 OC-06 CCO-00 EB-08
FCC-02 CIAE-00 INR-10 NSAE-00 OTPE-00 /046 W
-----123350 190612Z /12
R 190542Z JUN 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 8915

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E.O. 11652: NA
TAGS: BEXP, JA
SUBJECT: TRADE FACILITATION COMMITTEE: CURRENT STATUS
OF CASE NO. 6-- GENERAL DATACOMM INDUSTRIES INC.

REF: TOKYO 6325

1. SUMMARY: EMBASSY RECENTLY MET WITH MINISTRY OF POSTS AND TELECOMMUNICATIONS (MPT) TO DISCUSS MODEM CASE. AFTER DISCUSSION OF HOW NTT DATA COMMUNICATIONS RATES WERE SET, EMBASSY SUGGESTED THAT A SOLUTION TO THIS CASE WOULD BE ESTABLISHMENT OF A LEASED LINE FOR DATA COMMUNICATION ONLY. MPT FELT THAT DIGITAL DATA COMMUNICATION SERVICE WOULD REPLACE MODEMS AND THUS ESTABLISHING A NEW LINE WAS NOT NECESSARY SINCE USERS WOULD BE SHIFTING TO THE DIGITAL SYSTEM. GENERAL DATACOMM HAS AGREED TO PROVIDE EMBASSY WITH FURTHER BACKGROUND MATERIAL TO SHOW THAT DIGITAL SYSTEMS HAVE NOT TOTALLY REPLACED MODEMS IN U.S. EMBASSY WILL MEET AGAIN WITH MPT WHEN THIS MATERIAL IS RECEIVED.
END SUMMARY.

2. FOLLOWING CONSULTATION WITH MINISTRY OF FOREIGN AFFAIRS EMBASSY DISCUSSED MODEM CASE ON JUNE 6 WITH OFFICIALS OF THE MINISTRY OF POSTS AND TELECOMMUNICATIONS (MPT). THE EMBASSY STARTED BY REVIEWING THE PURPOSES OF THE TRADE
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FACILITATION COMMITTEE (TFC) AND THE MODEM CASE, WITH WHICH MPT OFFICIALS WERE FAMILIAR. WE POINTED OUT THAT WHILE THE TELECOMMUNICATION RATES DID NOT DIRECTLY CONCERN TRADE BETWEEN JAPAN AND THE U.S., THERE WERE SIGNIFICANT INDIRECT EFFECTS AND THESE INDIRECT EFFECTS WERE THE REASON WE BROUGHT THIS CASE TO THE TFC. WE INDICATED THERE WERE TWO POSSIBLE SOLUTIONS TO THE

MODEM PROBLEM: A CHANGE IN NTT PROCUREMENT PRACTICES OR A CHANGE IN NTT TARIFFS THAT WOULD RESTORE THE COMPETITIVENESS OF MULTI-PURPOSE LEASED D-1 (PRIVATE MODEM) LINES VIS-A-VIS NTT DATA COMMUNICATION SERVICES USING JAPANESE-MADE MODEMS. IT WAS AGREED THAT SINCE NTT PROCUREMENT WAS BEING DISCUSSED AT THE MTN IN GENEVA, DISCUSSIONS IN TOKYO WITH THE MPT WOULD FOCUS ON THE RATE QUESTION.

3. MPT OFFICIALS STARTED BY EXPRESSING THEIR FEELING THAT TELECOMMUNICATION RATES WERE A DOMESTIC PUBLIC UTILITY RATE QUESTION AND THAT FOREIGN TRADE CONSIDERATIONS ARE NOT RELEVANT IN ESTABLISHING DOMESTIC TELECOMMUNICATION RATES.

4. THE OFFICIALS THEN EXPLAINED HOW DATA COMMUNICATION RATES WERE ESTABLISHED AND DEFENDED THE LOWER DIGITAL COMMUNICATION RATES ON THE BASIS THAT THIS WAS NEW TECHNOLOGY WITH LOWER COST AND THE BENEFITS SHOULD BE PASSED TO THE CONSUMER. RATES FOR THE VARIOUS SERVICES ARE NOT SET ON A BASIS OF COST OF THE SERVICES BUT AS RATIOS OF THE BASIC CHARGE FOR A SINGLE-PURPOSE LEASED TELEPHONE LINE FOR VOICE COMMUNICATION ONLY (D-2). FOR EXAMPLE THE CURRENT D-1 LINE IS PRICED AT 120 PERCENT OF THE D-2 CHARGE WHILE THE NTT DIGITAL DATA SERVICE IS PRICED AT 100, 110, 120, AND 130 PERCENT OF THE D-2

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CHARGE FOR 1200, 2400, 4800, AND 9600 BPS (BITS PER SECOND) SERVICE RESPECTIVELY.

5. THE EMBASSY SUGGESTED COMPETITIVENESS OF D-1 LEASED LINES COULD BEST BE RESTORED THROUGH ESTABLISHMENT OF A LOWER RATE SINGLE-PURPOSE LEASED LINE STRICTLY FOR DATA COMMUNICATION PURPOSES SINCE THE HIGHER CHARGE FOR THE D-1 LINE IS BASED ON THE FACT THAT IT CAN BE USED FOR PURPOSES OTHER THAN DATA COMMUNICATION. SINCE USERS OF D-1 LINES USE IT ALMOST EXCLUSIVELY FOR DATA COMMUNICATION, THEY ARE BEING FORCED TO PAY A PREMIUM FOR SERVICES THEY DO NOT WANT OR USE.

6. MPT OFFICIALS FELT THAT THERE WAS NO NEED TO ESTABLISH A SEPARATE LEASED LINE FOR DATA COMMUNICATION BECAUSE DIGITAL DATA COMMUNICATION TECHNOLOGY WILL MAKE MODEMS OBSOLETE IN TWO OR THREE YEARS AND USERS WILL MOVE FROM LEASED LINE/MODEM NETWORKS TO DIGITAL DATA TRANSMISSION WITHIN THE NEAR FUTURE. THE EMBASSY POINTED OUT THAT THE EXPERIENCE IN THE U.S. WAS THAT EVEN THOUGH DIGITAL DATA TRANSMISSION SERVICE WAS AVAILABLE, MANY COMPANIES PREFERRED TO CONTINUE USING MODEM LEASED LINE

COMBINATIONS FOR THEIR DATA TRANSMISSION NEEDS. THE TWO TECHNOLOGIES EXISTED SIDE BY SIDE AND MODEMS HAD NOT BEEN REPLACED BY DIGITAL DATA TRANSMISSION SERVICE. AFTER FURTHER DISCUSSION WE AGREED TO MEET AGAIN AT A LATER DATE FOR FURTHER DISCUSSIONS.

7. MR. WAYNE GLASER, EXPORT MANAGER, GENERAL DATACOMM INDUSTRIES INC., VISITED EMBASSY JUNE 13 TO DISCUSS STATUS OF TFC CASE. HE SAID HIS COMPANY WOULD SUPPLY THE EMBASSY WITH BACKGROUND INFORMATION TO SUBSTANTIATE THE EMBASSY'S ARGUMENT THAT DIGITAL DATA TRANSMISSION TECHNOLOGY DOES NOT REPLACE MODEMS, BUT

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HAS EXPANDED THE USE OF MODEMS IN THE U.S. UPON RECEIPT OF THIS ADDITIONAL MATERIAL, EMBASSY WILL MEET AGAIN WITH MPT TO FURTHER ARGUE THAT THE ESTABLISHMENT OF A DIGITAL TRANSMISSION NETWORK WILL NOT MEAN THE MODEM MARKET WILL WITHER AWAY IN JAPAN, BUT MAY ACTUALLY EXPAND. THEREFORE, NTT SHOULD ESTABLISH A LEASED LINE STRICTLY FOR DATA COMMUNICATION AT A LOWERRATE FOR USERS WHO PURCHASE AND USE THEIR OWN MODEMS.

8. COMMENT: THE IMPRESSION GIVEN BY MPT WAS THAT THEY FEEL MODEMS WILL BE REPLACED BY THE DIGITAL DATA TRANSMISSION NETWORK IN THE NEXT FEW YEARS AND THAT IT IS THEREFORE NOT NECESSARY TO WORRY ABOUT THE EFFECT OF RECENT CHANGES ON THE MODEM MARKET IN JAPAN, SINCE THE MARKET WILL WITHER AWAY ANYHOW IN THE NEAR FUTURE. THE EMBASSY NEEDS ADDITIONAL INFORMATION TO SUPPORT ITS CONTENTION THAT THE MODEM MARKET WILL NOT DISAPPEAR AS A RESULT OF THE INTRODUCTION OF DIGITAL DATA SERVICE IN JAPAN AND WOULD APPRECIATE ANY INFORMATION WASHINGTON CAN SUPPLY CONCERNING U.S. EXPERIENCE WHEN DIGITAL DATA TRANSMISSION SERVICE IS OFFERED IN COMPETITION WITH

LEASED LINE/MODEM NETWORKS. IF MPT OFFICIALS CAN BE
CONVINCED THAT THE LEASED LINE/MODEM DATA TRANSMISSION
METHOD WILL STILL BE USED IN JAPAN, IT MIGHT BE
POSSIBLE TO PURSUADE THEM TO CONSIDER ESTABLISHING
A LEASED LINE STRICTLY FOR DATA TRANSMISSION SERVICE
AT A RATE LOWER THAN THE CURRENT D-1 MULTI-
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PURPOSE LINE.

9. WE WILL CONTINUE TO KEEP MOFA AND USHIBA'S OFFICE
INFORMED OF OUR EFFORTS. THEY MAY BE marginally
USEFUL.

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